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March 31, 2005

**VIA FEDERAL EXPRESS**

Bureau of Land Management  
Roswell District Office  
2090 W. Second Street  
Roswell, NM 88201-2019  
Attn. Mr. Amando Lopez

Re: NMOCD Case (pending)  
Application of RB Operating Company  
for approval of Directional Drilling and  
an unorthodox oil well location and simultaneous dedication  
East Loving-Brushy Canyon Pool,  
Eddy County, New Mexico

Carrasco "14" Well No 6.  
Surface: 1400 feet FNL and 800 feet FEL (H)  
Bottom Hole: 1400 feet FNL and 1250 feet FEL (Unit H)  
Section 14, T23S, R28E

Dear Mr. Lopez:

On behalf of RB Operating Company, I filed the referenced case before the New Mexico Oil Conservation Division that is currently set for hearing on April 21, 2005. The purpose of this letter is to inform the Bureau of Land Management of this case that involves the NE/4 of Section 14, T23S, R28E in which the N/2NE/4 is subject to federal oil and gas lease No. NM-0542015.

**BEFORE THE**  
**OIL CONSERVATION DIVISION**  
Case No. 13471 Exhibit No. **4**  
Submitted By:  
**RB Operating Company**  
Hearing Date: April 21, 2005

Bureau of Land Management

March 31, 2005

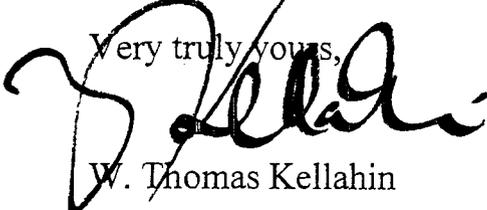
-Page 2-

The NE/4 of this section is composed of four governmental quarter-quarter sections with oil wells located in Units A, B, G and H. RB Operating Company desires to drill a fifth well to be located in the extreme northwest corner of Unit H that will encroach towards the BLM tract.

With the exception of the BLM, the balance of the interest in the NE/4 of this section are held by fee owners all of whom have agreed to share in the production this well, and only this well, such that the owner in each quarter-quarter section will received one-fourth. According to RB Operating Company, the BLM receives a 12.5% royalty for the wells in the N/2NE/4 and will thus receive 6.25% royalty for the subject well.

Based upon past cases before the Division, I have found it appropriate to place the well within an existing spacing unit and apply for an unorthodox well location rather than attempt to carve out a non-standard proration unit containing 10-acre from each of the quarter-quarter sections. I have obtained Division approval for a similar project for in this section for RB Operating that did not involved federal minerals. See Order R-12246, enclosed.

The nomenclature that was use in this case can be confusing. The sharing agreement is identified as a "Communitization Agreement" but does not conform to either a standard spacing unit or to an approved non-standard proration unit. The plat identified the 40-acre tract (ten acres form each 40-acre tract) to be a "proposed drilling unit" but does not conform to Division's standard rules. I think that this is an innovative method that allow for appropriate infill well that can recover oil that may never be produced if the current rules are automatically applied. We are hopeful that the BLM concur with this plan.

Very truly yours,  
  
W. Thomas Kellahin

Cc: RB Operating Company  
Attn: Mr. Bobby Ebeier

